

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6819

BILL NUMBER: SB 222

NOTE PREPARED: Feb 17, 2011

BILL AMENDED: Feb 15, 2011

SUBJECT: Hoosier Business Investment Tax Credit.

FIRST AUTHOR: Sen. Wyss

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill provides a Hoosier Business Investment tax credit for implementing homeland security measures to comply with federal homeland security requirements. It limits the Hoosier Business Investment tax credit to \$10 M per year for all taxpayers.

Effective Date: (Amended) January 1, 2012.

Explanation of State Expenditures: (Revised) *Department of State Revenue (DOR):* The DOR would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to reflect the new changes to the Hoosier Business Investment (HBI) tax credit. The DOR's current level of resources should be sufficient to implement the changes.

Explanation of State Revenues: (Revised) *Summary* - This bill will allow the HBI tax credit to be awarded for expenses associated with implementing homeland security measures in order to comply with federal homeland security requirements. The bill also provides that the total amount of tax credits that may be approved by the Indiana Economic Development Corporation (IEDC) may not exceed \$10 M each year beginning with all qualified investments made after December 31, 2011. This provision could reduce potential future HBI tax credit awards for tax years 2012 and 2013. Currently, there is no cap on total HBI tax credits approved by the IEDC. Since these provisions will apply to tax year 2012, any potential fiscal impact would likely begin in FY 2013. Current statute provides that HBI tax credits will not be allowed for qualified investments after December 31, 2013.

(Revised) *Background Information* - The HBI tax credit is for qualified investments that the IEDC

determines will foster job creation and higher wages in Indiana. For credits approved by the IEDC prior to May 15, 2005, the HBI tax credit was equal to the lesser of 30% of the qualified investment, or the taxpayer's state tax liability growth. For credits approved beginning May 15, 2005, the credit is equal to a percentage determined by the IEDC, not to exceed 10% of the amount of the qualified investment made by the taxpayer. The credit is nonrefundable, but unused credits may be carried forward for a number of years determined by the IEDC up to a maximum of nine years. Unused credits may not be carried back. The credit may be applied against individual or corporate AGI Tax, Financial Institutions Tax, and Insurance Premiums Tax liabilities. The credit applies to qualified investments made for taxable years beginning after December 31, 2003, and ending on or before December 31, 2013. A taxpayer is not prevented from carrying forward an unused credit to a taxable year beginning after December 31, 2013, for a qualified investment made before the credit's expiration. For tax year 2008, there were 282 individuals and corporations that claimed about \$9.6 M in HBI credits.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR.

Local Agencies Affected:

Information Sources: OFMA Income Tax Databases.

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